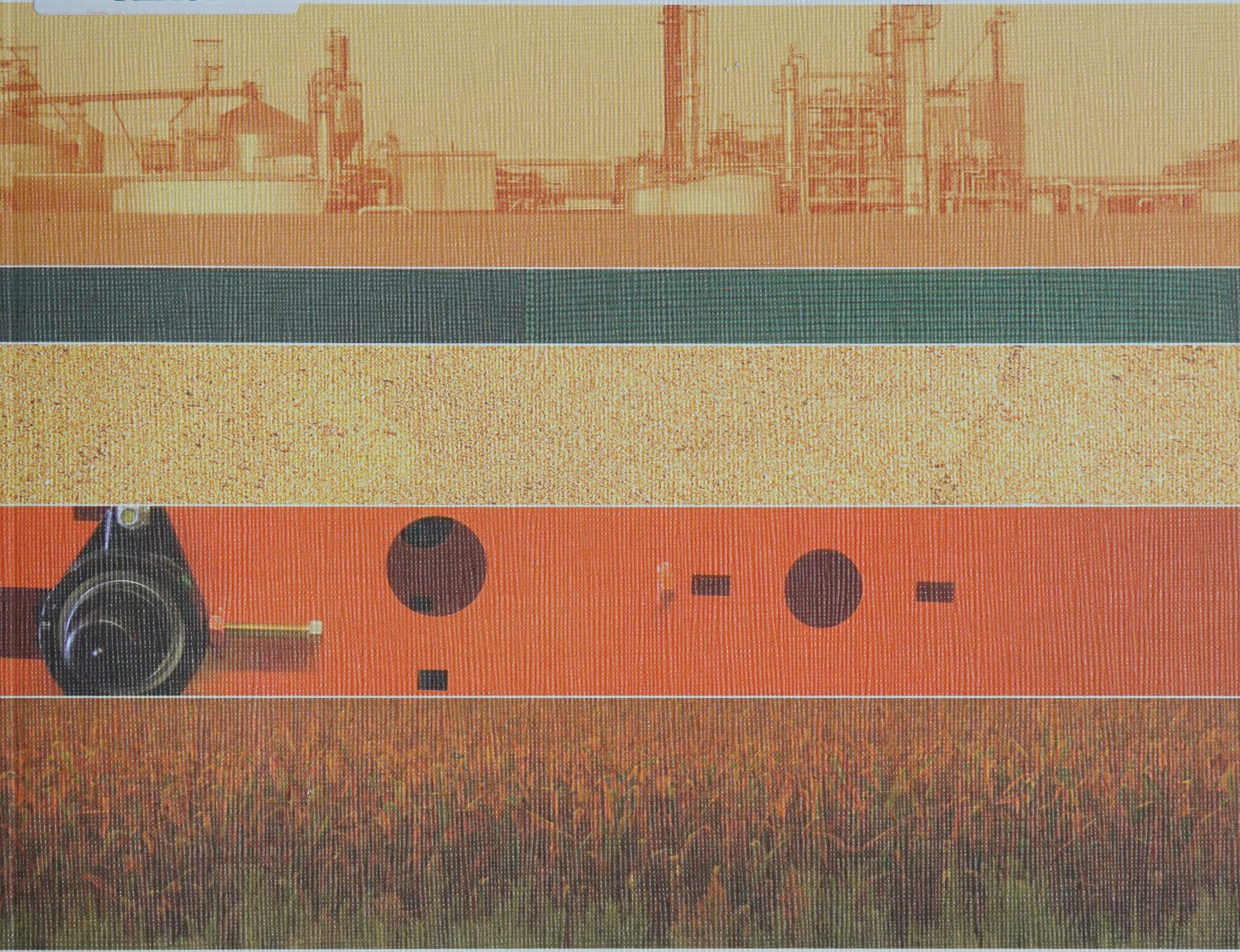

Annual Report 2006

AG GROWTH INCOME FUND

Ag Growth IPO: May 18, 2004 (Founded 1996)

Batco Manufacturing, Acquired: 1997 (Founded 1992)

Wheatheart Manufacturing, Acquired: 1998 (Founded 1973)

Westfield Industries, Acquired: 2000 (Founded 1950)

Edwards Group, Acquired: 2005 (Founded 1991)

Hansen Manufacturing, Acquired: 2006 (Founded 1982)

Ag Growth Income Fund
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Telephone: 204.489.1855 • Fax: 204.488.6929

Investor Relations: Steve Sommerfeld
Telephone: 204.489.1855 • Email: steve@aggrowth.com

Auditors: Ernst & Young LLP (Winnipeg)

Transfer Agent: Computershare Investor Services Inc.

Shares Listed: Toronto Stock Exchange
Stock Symbol: AFN.UN

AG GROWTH INCOME FUND



On behalf of management, our employees, and the Board of Trustees of Ag Growth Income Fund, we invite existing and prospective investors to review our 2006 annual report. The Fund made a number of positive strides in 2006, despite challenges that included a strengthening currency, a pullback in U.S. crop production, adverse weather conditions in many core markets, and internal succession issues. Our 2006 operating results reflect the strength of our brands, distribution, and business plan as we ended the year within reach of the record numbers posted in 2005.

The assessment of our company is often impacted by factors other than our operating results. Sentiment towards the agriculture sector, which is often under appreciated and misunderstood by the investment community, can eclipse the impact of our fundamental drivers of grain volume and trends in storage practices. In 2006, the decision of the Canadian Finance Minister to propose changes to the future of the income trust market provided another, unanticipated challenge. Nonetheless, the support of our core unitholder base allowed the Fund to persevere and at the time of writing our unit price approached new highs.

The Fund punctuated the close of a successful 2006 with a USD $18.5 million debt financing to purchase the assets of Hansen Manufacturing, based in Sioux Falls, South Dakota. We are excited about the acquisition and welcome Hansen's excellent management team and respected Hi Roller brand name to the Ag Growth family. The acquisition is our first foray into stationary grain handling equipment, providing an opportunity for the further consolidation of suppliers to larger farms, commercial grain handling facilities and newly emerging bio-energy facilities. As well as adding an industry leader to the Ag Growth group of companies, the acquisition provided reassurance that the Fund can carry out its business plan within the proposed rules restricting the expansion of the trust sector.

I would like to devote my remaining remarks to share with you our perspective on how the dramatic changes taking place in the agriculture sector position the Fund for substantial growth in the years ahead.

The advancement of technology in hybrid and genetically modified seeds, combined with improved farming techniques, has resulted in a steady increase in the productivity of the North American farmer. As grain volumes are a key driver for our business, these advancements have provided a steady, if somewhat subdued growth platform for our company. Ag Growth has capitalized

To Our Unitholders

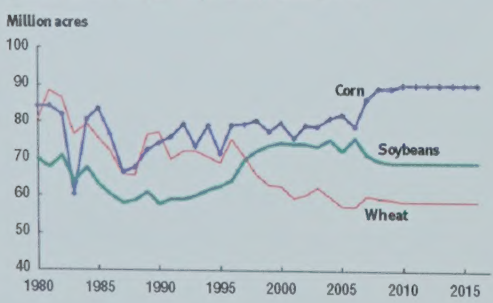
on increasing grain volumes through the development of a broad catalogue of grain handling equipment and the strength of an industry leading distribution network.

The foundation Ag Growth has developed over the last decade has positioned it well to capitalize on a fundamental shift in our industry. Due to a number of factors, including increased demand from heavily populated countries including China and India, the supply demand dynamic for most grains has experienced pressure not seen since 1972. Stock-to-use ratios are approaching 30 year lows and we are optimistic that an even stronger supply imbalance is currently emerging, positioning grain prices for a sustained rally.

An increase in food demand positions agriculture for a short-term bull cycle. However, we believe the development of the corn-based ethanol industry has initiated a longer-term shift in supply demand fundamentals. Environmental and political concerns, demonstrated by the introduction of the U.S. Energy Policy Act of 2005, which in essence triples the amount bio-fuel required by 2012, have created unprecedented demand for alternatives to fossil based fuels.

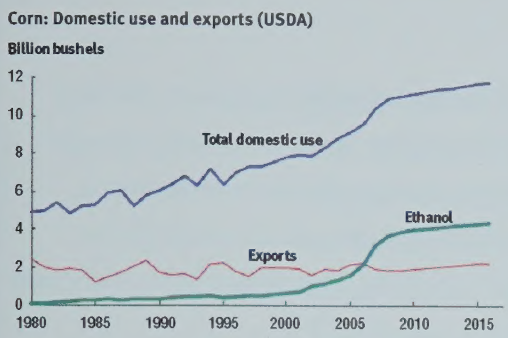
To meet the requirements of the Act, a dramatic buildup of ethanol capacity is underway. Current estimates are that the ethanol industry has the potential to absorb 35% of the total U.S. corn crop in the next couple of years, fundamentally changing the supply available for traditional food demand.

Planted area: Corn, wheat, and soybeans (USDA)



These developments bode well for Ag Growth for a number of reasons. First, we are seeing signs of competition for acreage between agriculture commodities, resulting in a shift towards corn acres. As corn typically yields over three times the number of bushels per acre as other grains, this shift adds a very important, new demand factor to the grain handling industry. The United States Department of Agriculture (USDA) has released its planting intentions forecast and expects 86 million acres to be seeded to corn in 2007. This is up from approximately 79 million acres in 2006 and greatly exceeds the historical average of 75 million acres. The USDA also forecasts that corn may exceed 90 million acres in the next few years.

Secondly, we expect that a large amount of grain traditionally bound for the export market will be handled and conditioned at the farm gate. This transition is in the early stages as farmers add



storage capacity to accommodate increased volumes. More on-farm storage means more handling equipment is required. The magnitude of this shift will make itself apparent as the ethanol industry begins to mature and stabilize. We are confident that the trend is entrenched and will be positive for the increased use of our equipment. We are actively engaged in improving plant capacity to accommodate the anticipated increased demand over the next few years.

We also expect that higher grain prices should accelerate worldwide investment in farm infrastructure. As the world is challenged to produce more grain volume to meet increasing demand, we expect other countries to attempt to emulate North American grain production and storage practices. North American farmers are the most efficient producers in the world. As capital is invested to modernize overseas farming, we would anticipate an acceleration of the trend towards on-farm storage, handling and conditioning of grain as these measures increase crop quality and reduce spoilage. Again, the more volume of harvested crop that is handled on the farm, the more equipment we sell.

There is much debate as to the viability and profit potential of the huge number of new ethanol plants that are coming online. I will not venture an opinion. The industry is in such a rapid state of development that it is difficult to foresee the ethanol landscape a few years ahead. However, we are confident that, no matter what the future holds for ethanol producers, there will be a dramatic increase in demand for the crops that our equipment handles.

I am very proud to be associated with the skilled and professional individuals that have joined our team as we have grown from a start-up company with $2 million revenue into a market leader with over $80 million in sales and EBITDA of over $24 million. Our strategic focus on grain handling has been instrumental to our strong operating results, which have often exceeded the expectations related to our sector.

We are very optimistic about the outlook for agriculture. We would like to express our most sincere gratitude to our current unitholders for their support over the last year. We would also like to thank the members of our Board of Trustees who resigned in 2006 for their important contributions since the IPO of the Fund. We are committed to continuing to work hard at creating value for our customers and our unitholders in the years to come.

Rob Stenson
CEO, Ag Growth Income Fund

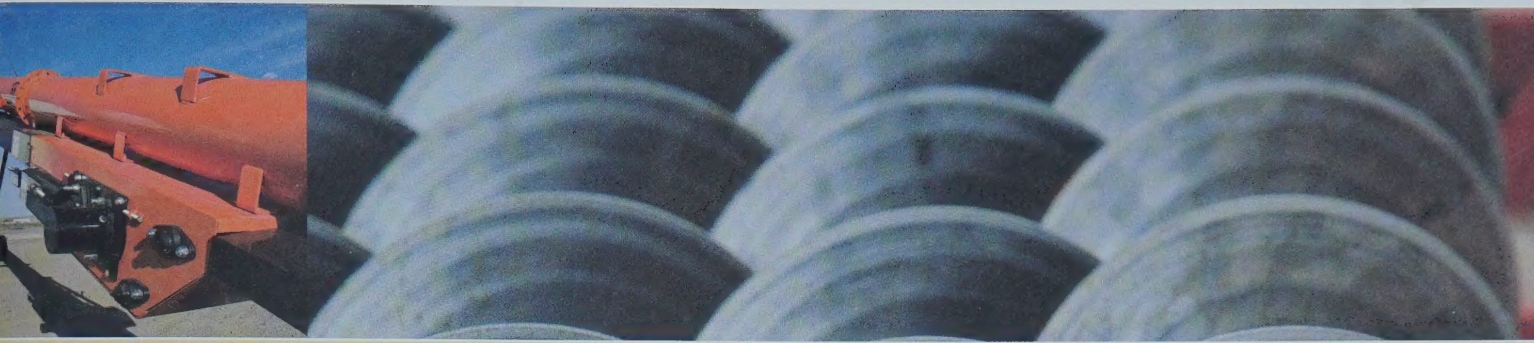
As many of you already know, 2006 was a year of particular challenge for Ag Growth. We were confronted with fundamental succession issues that made a rising Canadian currency, drought in areas of the Great Plains, and a quick, dry harvest in western Canada pale in comparison. The good news is that, to everyone's credit, we were able to work through it. I would like to acknowledge the exceptional strength and dedication of our senior management team. They kept their eyes on the ball and delivered the results.

A capacity improvement project at Westfield, our largest Division, is well underway and on schedule for completion by spring 2007. We were also able to finalize the exciting acquisition of Hansen Manufacturing Corp of Sioux Falls, South Dakota. The acquisition provides immediate accretion as well as a strategic platform for further growth. By year end, we had also concluded the Board succession process and subsequently reappointed Rob Stenson as CEO.

We feel we have successfully positioned Ag Growth to capitalize on what we strongly believe to be opportune times for our company. We are proud to share the following highlights from 2006 and remain very optimistic about the possibilities in 2007.

In 2006, Ag Growth Industries celebrated 10 years of success. Our roots are in Batco Manufacturing, Swift Current, Saskatchewan.

President's Message

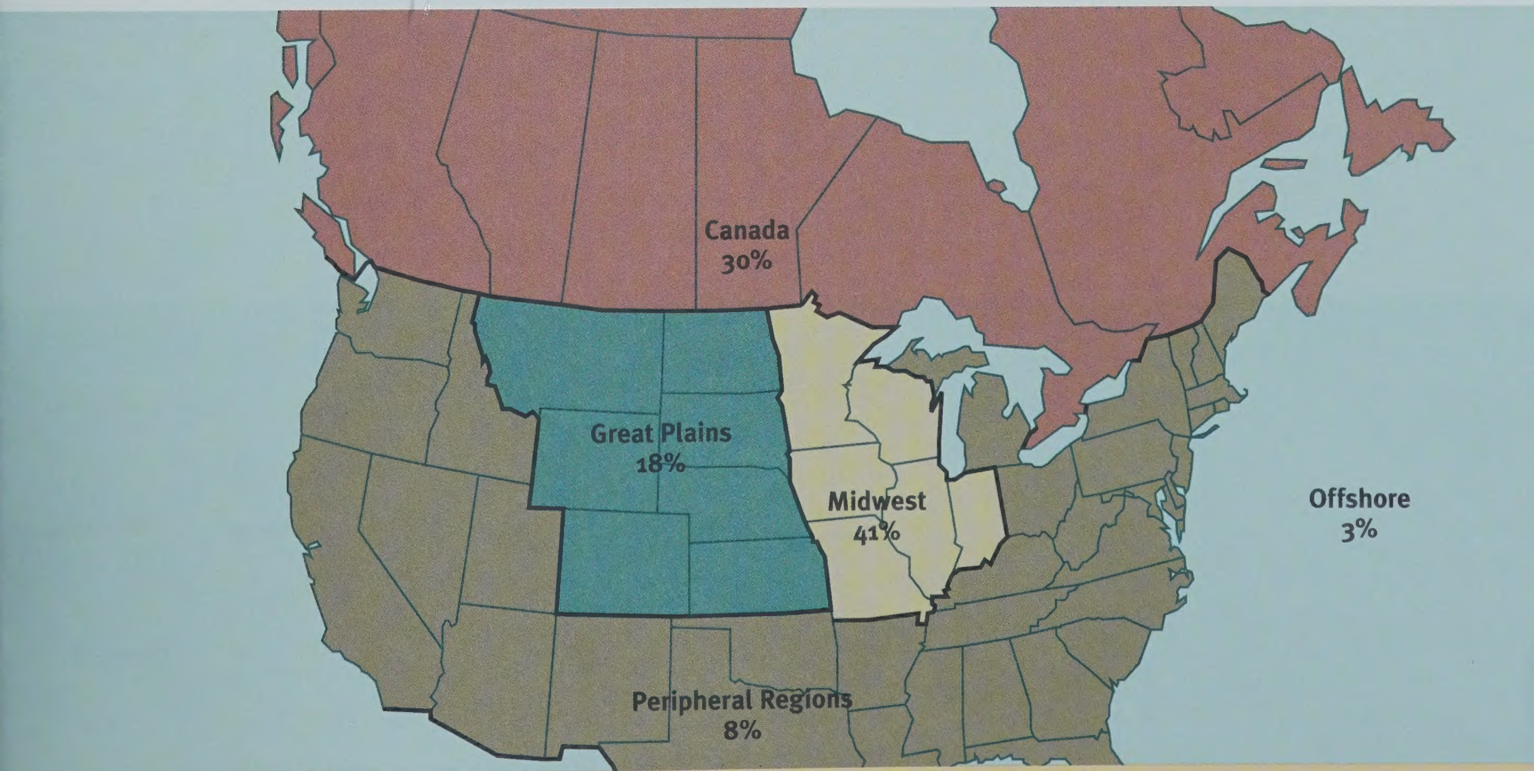


Sales and EBITDA

After adjusting for movements in foreign exchange, and considering several weather related factors, we are confident that we were able to sustain our market share gains from 2005.

(F/X adjusted 2005 to 2006)

Geographic Diversification of Sales for 2006



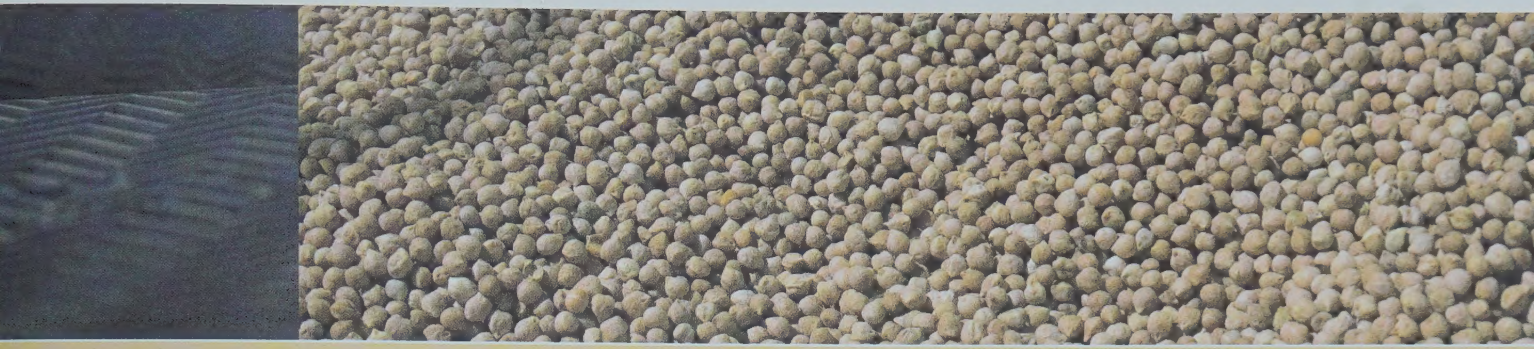
No one state or province in North America represents more than 15% of sales. Only six states or provinces represent more than 5% of sales.

Capacity Improvement Project – Westfield Division

Until recently, Westfield's manufacturing processes were based on long cycle, high volume production runs. While we achieved low cost producer status, we were beginning to bump up against capacity constraints. Traditional mass production processes were creating wasted motion and wasted space. In February 2006 we began introducing lean manufacturing principles to the shop floor. After initial training, our employees quickly embraced the concepts through a series of power change events. By summer we envisioned an entirely new plant layout and production flow. A total of 22 truckloads of new equipment were ordered for delivery in December and January. At the time of this writing, we are commissioning the equipment. The state-of-the-art paintline will provide an entirely new backbone for further process improvements and efficiencies. We intend to lever off of our successes at Westfield by introducing lean manufacturing principles to our other manufacturing facilities in the near future.

We are addressing capacity constraints by automating manual processes. The new paint line is considered leading-edge in the shortline industry.

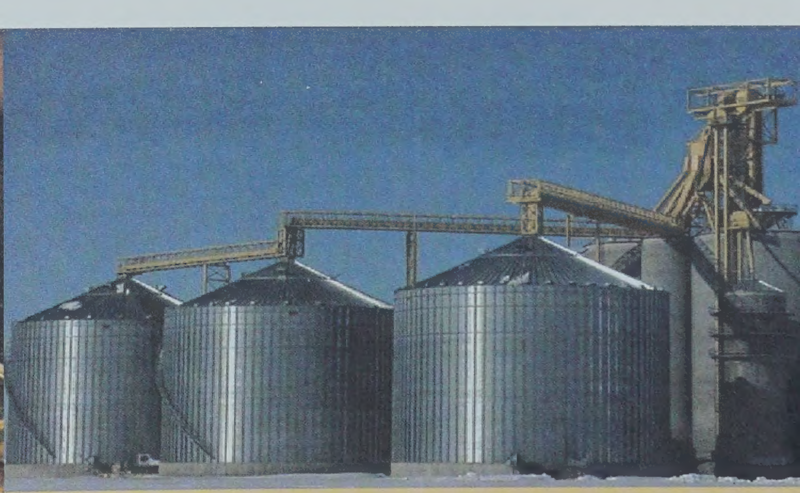
Lean manufacturing cells will improve efficiencies and throughput. Continuous improvement is driven by the empowerment of our workforce.



Hansen Manufacturing Corp.

PROFILE	ACQUISITION DETAILS
• Founded in 1982	• Acquired on Dec 31, 2006
• Located in Sioux Falls, South Dakota	• Purchase price of USD $18.5 million
• 50 - 65 full-time, non-union employees	• Debt financed
• 8-acre site, with approximately 62,600 sq. ft. facility	• Strong strategic fit
• Hi Roller brand is recognized as the market leader in its space	• Immediately accretive

Hansen Installation: Conveyor and Support Walkway



Hansen Installation: Fill Conveyors and Support Walkways

R & D

Ag Growth has always prided itself on its ability to listen to its customers and develop ideas relevant to the marketplace. However, the challenge at times has been to turn these ideas into product offerings in a timely manner. Last summer, we established a stand-alone Research and Development Centre in Saskatoon. The intent was to create an environment free from the day-to-day distractions of our manufacturing operations. While the Centre is still in its infancy, the benefits are already apparent.

The expansion of Wheatheart's auger line will enable us to geographically expand our double branding strategy into the heart of the U.S. Midwest. At Edwards, a line of U.S. style aeration equipment was developed to offset the risk of regional concentration. While our R&D efforts to develop this line were not in time to offset harvest conditions in western Canada, we are confident they will provide us with valuable geographic diversification in the long run.

The Wheatheart GH Series galvanized auger was designed to take advantage of an opening in the U.S. galvanized auger market. It is tailor-made for the U.S. corn-belt.

The Grain Guard low speed centrifugal fan line by Edwards is targeting corn growers throughout the midwest U.S.

MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 15, 2007

This Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth Income Fund for the year ended December 31, 2006. Results are reported in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis may contain forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Fund. Forward-looking statements contain such words as "anticipate", "believe", "continue", "could", "expects", "intend", "plans" or similar expressions suggesting future conditions or events. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in national and local business conditions, decreased crop yields, crop conditions, seasonality, industry cyclicality, volatility of production costs, commodity prices, foreign exchange rates, and competition. These risks and uncertainties are fully described in our 2006 Annual Report and our Annual Information Form. Although the forward-looking statements contained in this MD&A are based on what we believe to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements.

OVERVIEW OF THE FUND

Ag Growth Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust made as at March 24, 2004. The Fund holds indirectly all of the securities and assets of Ag Growth Industries Inc. ("Ag Growth"), which conducts business in the grain handling, storage, and conditioning market.

The previous owners of Ag Growth were issued Class B exchangeable limited partnership units ("Class B units") and Class C exchangeable subordinated limited partnership units ("Class C units") of AGX Holdings Limited Partnership ("AGHLP"), a wholly owned subsidiary of the Fund, as partial consideration for the Fund's acquisition of Ag Growth. The units of the Fund and the Class B and Class C units of AGHLP participate pro rata in distributions. AGHLP converted all Class C units to Class B units on a one-for-one basis upon the occurrence of the subordination end date in 2006. The Class B units are exchangeable for trust units of the Fund at the option of the holder on a one-for-one basis at any time.

The following table illustrates the exchange of Class C units to Class B units, and exchanges of Class B units to trust units of the Fund. The total number of units that participate in the distribution of net earnings has not changed.

	Trust Units	Class B Units	Class C Units
December 31, 2005	9,129,022	169,978	1,926,000
Exchange of Class C units for Class B units	0	1,926,000	(1,926,000)
Exchange of Class B units for units of the Fund	1,959,893	(1,959,893)	0
December 31, 2006 and March 15, 2007	11,088,915	136,085	0
Special Voting Units (1)	0	136,085	0

(1) The Fund has issued a Special Voting Unit for each Class B unit and Class C unit outstanding. The Special Voting Units are not entitled to any interest or share in the Fund, or in any distribution from the Fund, but are entitled to vote on matters related to the Fund.

The Fund's units trade on the Toronto Stock Exchange under the symbol AFN.UN.

OPERATING RESULTS

	2006	2005
Sales	$81,525,437	$84,033,945
Cost of goods sold	46,207,537	45,132,586
Gross margin	35,317,900	38,901,359
Selling, general and administration	12,587,274	13,235,750
Professional fees	461,026	530,532
Long-term incentive plan	854,000	933,001
Research and development	1,160,200	622,695
Capital taxes	297,189	328,716
Gain on foreign exchange	(3,973,443)	(1,355,991)
Other income	(243,099)	(436,638)
	11,143,147	13,858,065
EBITDA *	24,174,753	25,043,294
Amortization	3,834,891	4,040,948
Interest expense	1,017,516	1,035,153
Earnings before provision for income taxes	19,322,346	19,967,193
Provision for income taxes	278,505	315,123
Net earnings for the year	$19,043,841	$19,652,070
Net earnings per unit	$1.70	$1.82

* See discussion of non-GAAP measures.

	December 31, 2006	December 31, 2005
Total assets	$170,232,551	$144,352,812
Total liabilities	$59,267,926	$33,574,028

ACQUISITIONS

Effective December 31, 2006, the Fund acquired substantially all of the assets of Hansen Manufacturing Corp. ("Hansen") a leading manufacturer of enclosed belt conveyors. The acquisition was effective at the close of business on December 31, 2006, and accordingly the operating results of Ag Growth for the year then ended do not include the results of Hansen's operations. The inclusion of Hansen significantly impacts the comparison of assets and liabilities as at December 31, 2006 and 2005.

Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies. The inclusion of Edwards significantly impacts the comparison of operating results for the twelve months ended December 31, 2006 to the same period in 2005.

DISTRIBUTIONS AND DISTRIBUTABLE CASH

For the twelve-month period ended December 31, 2006, the Fund generated distributable cash from operations of $1.96 per unit (2005 – $2.10) and declared cash distributions of $1.68 per unit (2005 – $1.73). As per the table below, distributable cash available to unitholders for the twelve-month period ended December 31, 2006 was $1.71 per unit (see "Distributions").

The following table summarizes the distributions declared for trust units of the Fund and for Class B units and Class C units of AGHLP. The Fund's distribution policy is described in the "Distributions" section of this document. Distributable cash is a non-GAAP measure and is described and reconciled to cash flow from operating activities under the sections "Distributions" and "Non-GAAP Measures".

	2006		2005	
	$	Per unit	$	Per unit
Distributions Declared				
Trust units of the Fund	$17,257,452	$1.68	$15,288,686	$1.73
Class B units	252,348	$1.68	294,317	$1.73
Class C units	1,348,200	$0.70	3,334,869	$1.73
	$18,858,000	$1.68	$18,917,872	$1.73
Distributable Cash from Operations				
Generated from operations	$21,978,594	$1.96	$22,628,723	$2.10
Distributable Cash Available				
Generated from operations	$21,978,594	$1.96	$22,628,723	$2.10
Non-maintenance CAPEX (1)	(1,881,932)	(0.17)	0	0.00
Costs of acquisition (2)	(894,182)	(0.08)	0	0.00
Available to unitholders	$19,202,480	$1.71	$22,628,723	$2.10

(1) Non-maintenance capital expenditures are defined as cash outlays related to increasing operating capacity or improving operating efficiency. In the fourth quarter of 2006, the Fund incurred costs of $1.9 million related to a capacity improvement initiative at its Westfield facility. The total cost of the project is expected to be approximately $3.8 million. See "Capital Expenditures".

(2) Costs incurred in relation to the acquisition of Hansen were funded from retained cash flow. See "Acquisitions" and "Distributions".

All Class C units were exchanged for Class B units upon the subordination end date in June 2006. There were no Class C distributions declared subsequent to their exchange.

OVERALL PERFORMANCE

For the year-ended December 31, 2006, sales and EBITDA were $81.5 million and $24.2 million respectively, compared to $84.0 million and $25.0 million in 2005. The appreciation of the Canadian dollar in 2006 significantly impacted the comparability of results between the two years. After adjusting 2006 results to reflect the average foreign exchange rates in effect in 2005, sales and EBITDA in 2006 would have been $85.5 million and $25.5 million respectively.

Sales in the U.S. corn-belt increased significantly in 2006 due primarily to market gains related to distribution network rationalization, a trend towards more on-farm storage, and per unit price increases. Sales of the Fund's bin unload equipment also increased significantly compared to 2005 due to the strength of the North American storage market. Hot and dry weather conditions in western Canada and certain Plains states led to reduced crop quantity and an exceptionally early harvest, which reduced demand for both grain handling and aeration equipment. Gross

margin was negatively impacted by the appreciation of the Canadian dollar as well as lower sales volume, particularly at Edwards. Operating expenses decreased significantly in 2006, due primarily to lower general and administrative expenses and a higher gain on foreign exchange (see “Foreign Exchange”).

SALES

Sales for the year-ended December 31, 2006 were $81.5 million, compared to $84.0 million for the same period in 2005. The decrease of $2.5 million was largely the result of the following:

- As discussed under “Foreign Exchange”, the appreciation of the Canadian dollar resulted in a decrease in recorded sales of $4.0 million compared to the twelve-month period ended December 31, 2005. Excluding the impact of foreign exchange, sales increased $1.5 million over 2005.
- Sales in the U.S. market, adjusted to reflect the average foreign exchange rate in effect in 2005, increased $3.3 million over the prior year. The increase was due to robust sales in the key U.S. corn-belt, the result of market gains related to changes in the Fund’s distribution network and the continued trend towards more on-farm storage, and per unit price increases. Sales of bin-unload equipment increased due to the strength of the North American storage market. Drought conditions in certain Plains states negatively impacted sales of grain handling and aeration equipment.
- Sales in Canada decreased $1.1 million compared to 2005, primarily due to unusually hot and dry weather in western Canada that led to an exceptionally early harvest. The adverse weather conditions resulted in reduced demand for both grain handling and aeration equipment.
- International sales decreased $0.7 million compared to 2005, due primarily to severe drought conditions in Australia.
- The Edwards Group, a manufacturer of aeration equipment, was severely impacted by the poor weather conditions in western Canada and certain Plains states, due both to the nature of its products and its exposure to these regional markets. Edwards’ North American sales decreased $0.7 million from the exceptional results recorded in 2005, even though 2006 included twelve months of sales while 2005 included sales only for the period subsequent to its April 8, 2005 acquisition.

FOREIGN EXCHANGE

Sales and expenses are recorded at a monthly rate of exchange. For the twelve-month period ended December 31, 2006, Ag Growth generated 67% of its sales in U.S. dollars (2005 – 65%). Historically, U.S. dollar denominated expenses have equated to approximately 15% to 20% of sales. As a result of this imbalance, the negative impact on sales from a stronger Canadian dollar is only partially offset by the benefit of lower U.S. dollar expenses.

The average rate of exchange for the twelve-month period ended December 31, 2006 was $1.13, compared to $1.21 in 2005. Had the average exchange rates experienced in 2005 been in effect in 2006, sales and EBITDA for the twelve month period ended December 31, 2006 would have increased $4.0 million and $1.3 million respectively.

Gains or losses on the Fund's foreign currency hedging instruments are included in operating expenses. The impact of foreign currency hedges has been included, along with the gain or loss on the translation of U.S. dollar working capital, in operating expenses as a gain or loss on foreign exchange. Ag Growth's foreign currency hedging instruments impact the sales line on the income statement only to the extent that the contract premium is amortized to sales. Amortization to sales for the twelve-month period ended December 31, 2006 was $238,185 (2005 – $220,826).

The Fund's 2006 foreign exchange hedging instruments were at contract rates similar to those of 2005. As the actual foreign exchange spot rate in 2006 was lower than 2005, the spread between the contract rate and the actual spot rate was greater, the result of which was a higher gain on foreign exchange compared to the prior year (see "Expenses").

EXPENSES

Gross margin as a percentage of sales for the year ended December 31, 2006 was 43.3%, compared to 46.3% in 2005. The decline in gross margin percentage is largely due to the strengthening of the Canadian dollar. As discussed under Foreign Exchange, the Fund's U.S. dollar sales greatly exceed its U.S. dollar purchases, and accordingly a stronger Canadian dollar negatively impacts the Fund's gross margin percentage. Had the exchange rates experienced in 2005 been in effect in 2006, gross margin for the year ended December 31, 2006 would have been 44.9%. Lower sales volumes, particularly at Edwards, have also negatively impacted gross margin compared to 2005.

For the year ended December 31, 2006, total operating expenses were $11.1 million, compared to $13.9 million in 2005, a decrease of $2.8 million. Excluding Edwards, as its 2005 operating expenses were included in results only subsequent to its April 8, 2005 acquisition date, total operating expenses decreased $3.3 million compared to 2005, primarily due to the following:

- Selling, general and administration expenses decreased $1.1 million compared to 2005 due to a $0.4 million decrease in commission expenses, largely the result of changes made to the Fund's distribution network, and lower salary expenses of $0.6 million that were largely the result of lower performance based bonuses. These decreases were partially offset by consulting fees of $0.2 million related to the capacity improvement initiative at the Westfield facility.
- The Fund's gain on foreign exchange increased from $1.4 million in 2005 to $4.0 million in 2006, due to an increase in the spread between its foreign exchange contract rates and the actual foreign exchange spot rate.
- Research and development expenses increased $0.4 million due to costs related to the start up of the Fund's new research and development facility and to product line expansions at Westfield and Edwards.
- A number of smaller miscellaneous items accounted for the remaining change.

EBITDA AND NET EARNINGS (see discussion of non-GAAP measures)

EBITDA for the year-ended December 31, 2006 was $24.2 million, compared to $25.0 million in 2005. The comparison to 2005 was most significantly impacted by the further appreciation of the Canadian dollar.

Prior to its acquisition of Hansen, the Fund's credit facility included term debt of $20 million and an operating facility of $15 million, increasing to $18 million for the period May 31 to September 30 each year, with interest rates on both facilities based on performance calculations. For the year-ended December 31, 2006, the Fund's effective interest rate on its term debt was 5.8% (2005 – 4.8%), and after consideration of the effect of the Fund's interest rate swap (see "Financial Instruments") was 4.7% (2005 – 4.5%). The Hansen acquisition was effective at the close of business December 31, 2006, and accordingly Ag Growth's results for the year then ended do not include interest expense related to the USD $18.5 million term debt.

Amortization for the year-ended December 31, 2006 was $3.8 million compared to $4.0 million in 2005. Amortization for the year-ended December 31, 2006 includes the amortization of intangible assets of $1.6 million, the amortization of deferred financing costs of $0.1 million, and the amortization of property, plant and equipment of $2.1 million. Compared to 2005, the decrease in amortization is largely the result of lower amortization of deferred finance costs.

The Fund is a mutual fund trust for income tax purposes at this time, and therefore is not subject to tax on income distributed to unitholders. The manufacturing business operations of the Fund are carried out within a limited partnership. Income from the limited partnership is not subject to tax but flows through to the holders of the partnership units, which includes the Fund. The Fund's distributions are taxable in the hands of the unitholders. As a result of the Fund's structure, tax expense is recorded only for the Fund's subsidiary corporations. The recorded current tax expense of $48,705 for the year-ended December 31, 2006 represents primarily tax payable on the net income and taxable capital primarily allocated to Ag Growth and its subsidiaries through its ownership in Ag Growth Industries Limited Partnership after deductions for interest expense, financing fees and capital taxes. On October 31, 2006 the Federal Government announced proposed changes to the taxation of income trusts that, if enacted, would result in certain of the Fund's distributions being subject to tax (see "Risk Factors").

For the year-ended December 31, 2006, the Fund recorded net earnings of $19.0 million and earnings per basic and diluted unit of $1.70, compared to net earnings of $19.7 million and earnings per basic and diluted unit of $1.82 in 2005.

QUARTERLY FINANCIAL INFORMATION

2006	Sales	Gain (Loss) on FX (1)	Net Earnings	Net Earnings per Unit
Q1	$19,705,011	$201,001	$4,115,585	$0.37
Q2	22,571,529	120,997	5,157,065	0.46
Q3	22,049,541	1,102,119	5,771,138	0.51
Q4	17,199,356	2,549,326	4,000,053	0.36
Fiscal 2006	**$81,525,437**	**$3,973,443**	**$19,043,841**	**$1.70**

2005	Sales	Gain (Loss) on FX (1)	Net Earnings	Net Earnings per Unit
Q1	$16,013,438	$220,020	$3,449,185	$0.36
Q2	24,363,985	115,822	6,255,028	0.56
Q3	26,755,797	(274,763)	6,567,557	0.59
Q4	16,900,725	1,294,912	3,380,300	0.31
Fiscal 2005	**$84,033,945**	**$1,355,991**	**$19,652,070**	**$1.82**

2004	Sales	Gain (Loss) on FX (1)	Net Earnings	Net Earnings per Unit
Q1 (2)	N/A	N/A	N/A	N/A
Q2 (3)	$7,855,520	$(520,596)	$1,441,006	$0.15
Q3	21,780,593	(626,254)	5,483,492	0.57
Q4	13,911,771	3,552	1,798,911	0.19
Fiscal 2004	**$43,547,884**	**$(1,143,298)**	**$8,723,409**	**$0.91**

(1) Certain comparative figures have been reclassified to conform to the current period's presentation.

(2) Prior to IPO date of May 18, 2004.

(3) Includes results of operations only for the 44-day period May 18 to June 30, 2004.

Interim period revenues and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. Distributable cash generated per unit will also typically be highest in the third quarter. The following factors impact comparability between quarters in the previous table:

- Sales, gain (loss) on foreign exchange, net earnings, and net earnings per unit are significantly impacted by the prevailing rate of exchange between the Canadian and U.S. dollars.
- The third quarter of 2006 was adversely affected by hot and dry weather conditions in western Canada that negatively impacted sales of grain handling and aeration equipment.
- The first quarter of 2006, compared to the same period in 2005, was significantly impacted by the April 8, 2005 acquisition of the Edwards Group.
- The first and second quarters of 2005 were exceptionally strong due to demand that resulted from the record 2004 U.S. harvest.

FOURTH QUARTER

Sales for the three-months ended December 31, 2006 were $17.2 million, compared to $16.9 million for the same period in 2005. The increase of $0.3 million was largely the result of the following:

- The appreciation of the Canadian dollar resulted in a decrease in recorded sales of $0.5 million compared to the three-month period ended December 31, 2005. Excluding the impact of foreign exchange, sales increased $0.8 million over the same period in 2005 (see "Foreign Exchange").
- Sales in the U.S. market, after adjusting for the change in foreign exchange rates (see "Foreign Exchange"), increased $2.9 million compared to the prior year. The increase resulted from robust sales in the key U.S. corn-belt, higher sales of bin-unload equipment, and per unit price increases, partially offset by the impact of drought conditions in certain Plains states.
- Sales in Canada decreased $1.5 million compared to the fourth quarter of 2005 due to an exceptionally early harvest in western Canada that resulted in lower demand for grain handling and aeration equipment.
- International sales decreased $0.6 million compared to 2005, due primarily to severe drought conditions in Australia.

Gross margin as a percentage of sales for the three-months ended December 31, 2006 was 40.0%, compared to 42.1% in 2005. Gross margin in the fourth quarter is typically lower than other quarters due primarily to preseason sales initiatives. The decline in gross margin percentage from the fourth quarter of 2005 is largely due to the strengthening of the Canadian dollar. As discussed under Foreign Exchange, the Fund's U.S. dollar sales greatly exceed its U.S. dollar purchases, and as a result a stronger Canadian dollar negatively impacts the Fund's gross margin percentage. Had the average exchange rate experienced in 2005 been in effect in 2006, gross margin for the three months ended December 31, 2006 would have been 41.2%. Lower sales volumes, particularly at Edwards, also negatively impacted gross margin.

For the three months ended December 31, 2006, total operating expenses were $1.6 million, compared to $2.2 million in 2005, a decrease of $0.6 million. The decrease is primarily due to the following:

- For the three months ended December 31, 2006, the Fund recorded a gain on foreign exchange of $2.5 million, compared to $1.3 million for the same period in 2005. The Fund's gain on its foreign exchange contracts was higher than the previous year due to the further strengthening of the Canadian dollar.
- Research and development expenses increased $0.3 million, largely due to costs incurred at the Fund's new research and development facility and to product line expansions at the Westfield and Edwards divisions.
- A number of smaller miscellaneous items accounted for the remaining change.

EBITDA for the three-month period ended December 31, 2006 was $5.3 million, compared to $4.9 million in 2005. The comparison to 2005 was most significantly impacted by fourth quarter demand in the U.S. corn-belt and increased sales of bin-unload equipment, an increase in the gain on the Fund's foreign exchange contracts, offset by the negative impact on sales and gross margin of the further appreciation of the Canadian dollar.

For the three months ended December 31, 2006, the Fund recorded net earnings of $4.0 million and earnings per basic and diluted unit of $0.36, compared to net earnings of $3.4 million and earnings per basic and diluted unit of $0.31 in 2005.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, depreciation, and amortization. Management believes that, in addition to net income or loss, EBITDA is a useful supplemental measure in evaluating its performance. EBITDA is not a financial measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Management cautions investors that EBITDA should not replace net income or loss as an indicator of performance, or cash flows from operating, investing, and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers.

Distributable cash is a non-GAAP measure generally used by Canadian income funds as an indicator of financial performance. The Fund defines distributable cash from operations as EBITDA less interest expense, maintenance capital expenditures (see "Capital Expenditures"), and current taxes. The Fund defines distributable cash available to unitholders as distributable cash from operations, adjusted for non-operational expenditures. Distributable cash is not a financial measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. The method of calculating the Fund's distributable cash may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

Payout ratio is a non-GAAP measure used by Canadian income funds as an indicator of the amount of generated distributable cash that is distributed to the unitholders. The Fund defines payout ratio as total distributions expressed as a percentage of distributable cash generated from operations. Payout ratio is not a financial measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. The method of calculating the Fund's payout ratio may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to payout ratio as reported by such entities.

CASH FLOW AND LIQUIDITY

The table below reconciles net earnings to cash provided by operations for the years ended December 31, 2006 and 2005.

	Twelve Months Ended December 31	
	2006	**2005**
Net earnings	$19,043,841	$19,652,070
Add charges (deduct credits) to operations not requiring a current cash payment:		
Amortization	3,834,891	4,040,948
Future income taxes	229,800	236,000
Deferred foreign exchange gain	33,476	34,540
Loss (gain) on sale of property, plant & equipment	(37,546)	12,120
	23,104,462	23,975,678
Net change in non-cash working capital related to operations:		
Accounts receivable	(408,816)	(1,441,926)
Inventory	(505,850)	(967,153)
Prepaid expenses and other assets	329,687	(270,328)
Accounts payable and accrued liabilities	267,421	(442,001)
Long-term incentive plan	(79,001)	667,213
Customer deposits	2,558,018	(721,769)
Income taxes payable	(29,219)	477,481
Cash provided by operations	$25,236,702	$21,277,195

Cash provided by operations for the year-ended December 31, 2006 was $25.2 million, an increase of $4.0 million over 2005. An increase in customer deposits that resulted from the timing of certain pre-season sales initiatives increased cash provided by operations by $3.3 million compared to 2005. A number of smaller changes account for the remaining variance.

WORKING CAPITAL

Interim period working capital requirements typically reflect some seasonality. The Fund's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the third quarter, result in accounts receivable levels increasing throughout the year and peaking in the third quarter. In order to ensure the Fund has adequate supply throughout its distribution network in advance of in-season demand, inventory levels must be gradually increased throughout the year. Accordingly, inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, Ag Growth begins to draw on its bank revolver in the first or second quarter. The revolver balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. Ag Growth has typically fully repaid its revolver balance by early in the fourth quarter. Results in 2006 have generally reflected these expectations. The inclusion of Hansen in 2007 is not expected to significantly impact the seasonality of working capital requirements.

CAPITAL EXPENDITURES

The Fund had maintenance capital expenditures of $1.1 million for the year-ended December 31, 2006 (2005 – $1.3 million). Maintenance capital expenditures in 2006 relate primarily to purchases of a semi tractor unit and trailer, a building addition, and manufacturing equipment. The Fund anticipates total maintenance capital expenditures in 2007 will approximate the amounts expended in 2006, plus approximately $0.3 million related to the newly acquired Hansen division. All 2007 capital expenditures are expected to be funded through operations.

The Fund defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures are defined as cash outlays required to increase operating capacity or improve operating efficiency. The Fund has commenced a capacity improvement initiative at its Westfield facility that has been categorized as a non-maintenance capital expenditure. In addition to anticipated capacity enhancements, the initiative is expected to improve the quality and finish of the Westfield product through the implementation of a new paint system. The total cost of the project is expected to be approximately $3.8 million and will be financed through working capital. For the year-ended December 31, 2006, non-maintenance capital expenditures related to the capacity enhancement project totaled $1.9 million.

The Fund's credit facility allows for the elimination of capital expenditures from its financial covenant calculations provided that the Fund has sufficient availability in its revolver facility. As at December 31, 2006, the non-maintenance capital expenditures did not impact the Fund's financial covenants.

CASH BALANCE

For the year ended December 31, 2006, the Fund's cash balance, including cash held in trust, increased $1.1 million, which was in line with management expectations for the reasons discussed previously.

CONTRACTUAL OBLIGATIONS

	TOTAL	2007	2008	2009	2010	2011
Long-term debt	$41,575,645	$15,334	$10,391,773	$31,168,538	$0	$0
Operating leases	2,153,552	803,616	656,370	527,448	145,424	20,694
CAPEX (1)	385,200	385,200	0	0	0	0
Total obligations	$44,114,397	$1,204,150	$11,048,143	$31,695,986	$145,424	$20,694

(1) As at December 31, 2006, the Fund had issued purchase orders totaling $385,200 with respect to the capacity improvement project at Westfield. A deposit of $346,680 related to this equipment was paid in 2006.

The non-amortizing term loans of $41.6 million mature August 31, 2007 and includes loans of CAD $20.0 million and USD $18.5 million. The loans are extendible annually for an additional one-year term at the lender's option. Under the terms of the credit facility agreement, if the bank elects to not extend the operating and term loan facilities beyond the current August 31, 2007 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing November 30, 2008. The remaining long-term debt relates to GMAC financed vehicle loans that will be fully repaid in 2008. The operating leases relate to vehicle, equipment, and warehouse facility leases entered into in the normal course of business.

The Fund has issued purchase orders of $0.4 million for equipment related to the Westfield capacity initiative (see "Capital Expenditures") and expects non-maintenance capital expenditures related to this project will approximate $1.9 million in 2007. Delivery of the remaining equipment is expected to occur in the first quarter of 2007.

DISTRIBUTIONS

The Fund declared distributions to public unitholders of $4.7 million and $17.3 million for the three and twelve-month periods ended December 31, 2006 (2005 – $3.9 million and $15.3 million). Furthermore, consistent with the Fund's prospectus dated May 5, 2004, the Fund declared distributions to Ag Growth's previous owners of $0.1 million and $1.6 million for the three and twelve-months ended December 31, 2006 (2005 – $1.4 million and $3.6 million). The amounts declared to Ag Growth's previous owners have decreased as a number of exchangeable units were exchanged for publicly traded units of the Fund (see "Overview of the Fund").

The Fund's policy is to make monthly distributions to holders of both trust units of the Fund and Class B units of AGHLP. Furthermore, in accordance with the terms of the Fund's prospectus, holders of Class C Subordinated Exchangeable limited partnership units received distributions quarterly. The Fund's Declaration of Trust requires that it distribute all taxable income earned in its fiscal period ending December 31. It may be necessary for the Fund to estimate one or more special distributions to achieve this requirement.

The Fund's Board of Trustees reviews financial performance and other factors when assessing the Fund's distribution levels. An adjustment to distribution levels will be made at such time as the Board determines the adjustment is sustainable and in the long-term best interest of the Fund and its unitholders.

Distributable cash from operations is defined as EBITDA, less maintenance capital expenditures, interest, and cash income tax expense. The objective of presenting these measures is to calculate the amount that is available for distribution to unitholders and exchangeable unitholders. The distributable cash definition excludes changes in working capital as they are necessary to drive organic growth and are expected to be financed by the Fund's operating facility (see "Capital Resources"). Distributable cash should not be construed as an alternative to cash flows from operating, investing, and financing activities as a measure of the Fund's liquidity and cash flows.

Distributable cash can be reconciled to cash provided by operating activities as noted in the following chart.

	Twelve Months ended December 31	
	2006	**2005**
Cash provided by operating activities	$25,236,702	$21,277,195
Change in non-cash working capital	(2,132,240)	2,698,483
Deferred foreign exchange gain	(33,476)	(34,540)
Gain (loss) on sale of property, plant and equipment	37,546	(12,120)
Net maintenance capital expenditures	(1,129,938)	(1,300,295)
Distributable cash from operations *	**21,978,594**	**22,628,723**
Non-maintenance capital expenditures	(1,881,932)	0
Acquisition costs	(894,182)	0
Distributable cash available to unitholders *	**$19,202,480**	**$22,628,723**
Weighted average units outstanding	11,225,000	10,801,123
Distributions declared per weighted average unit	$1.6800	$1.7515
Distributable cash from operations		
Distributable cash generated per unit *	$1.96	$2.10
Distribution percentage	85.8%	83.6%
Distributable cash available to unitholders		
Distributable cash generated per unit *	$1.71	$2.10
Distribution percentage	98.2%	83.6%

* See discussion of non-GAAP measures below.

Distributions declared for the year ended December 31, 2006 of $1.68 per unit represent a 2.9% decrease from distributions of $1.73 in 2005. Distributions in 2006 represent a 29.2% increase over the per unit distribution disclosed in the Fund's 2004 prospectus. Distributions for the years ended December 31, 2006 and 2005 were funded entirely through operations.

Historical distributable cash generated from operations per unit and distributions declared as a percentage of distributable cash generated is as follows:

2006 (1)					
	Specials (2)	Q4	Q3	Q2	Q1
Distributable cash generated	N/A	$0.4270	$0.5763	$0.5214	$0.4335
Distributions declared	N/A	$0.4200	$0.4200	$0.4200	$0.4200
Distribution percentage	N/A	98.4%	72.9%	80.6%	96.9%
YTD distribution percentage	N/A	85.8%	82.3%	88.0%	96.9%

2005					
	Specials (2)	Q4	Q3	Q2	Q1
Distributable cash generated	N/A	$0.3722	$0.6859	$0.6271	$0.3936
Distributions declared	$0.3000	$0.3900	$0.3800	$0.3403	$0.3249
Distribution percentage	N/A	104.8%	55.4%	54.3%	82.6%
YTD distribution percentage	83.6%	68.7%	60.6%	64.2%	82.6%

(1) Distributable cash from operations. In 2006 certain adjustments were made to calculate distributable cash available to unitholders (see "Distributions").

(2) Special distributions declared in excess of the regular monthly distributions.

Distributable Cash From Operations			
	Distributable Cash Generated	Distributions Declared (1)	Payout Ratio
Period Ended December 31, 2004	$ 9,686,147	$ 9,109,017	94.0%
Year Ended December 31, 2005	22,628,723	18,917,872	83.6%
Year Ended December 31, 2006	21,978,594	18,858,000	85.8%
Cumulative since inception	$ 54,293,464	$ 46,884,889	86.4%

(1) Distributions declared include special distributions of $1,328,940 in 2004 and $3,367,500 in 2005.

The Fund's Declaration of Trust requires that it distribute all taxable income earned in its fiscal periods ending December 31. Due to a number of tax deductions available to the Fund and its subsidiary entities, since inception the Fund has retained $7.4 million for internal purposes. In the fourth quarter of 2006 the Fund invested $1.9 million of its retained cash in a strategic capital expenditure at its Westfield facility. The total cost of the Westfield capacity improvement initiative is expected to be $3.8 million, and the remaining $1.9 million will also be funded from retained cash. In the fourth quarter of 2006, the Fund acquired Hansen Manufacturing and

funded approximately $0.9 million of the related acquisition costs from its retained cash. The remaining amounts retained have been used primarily to further strengthen the Fund's financial position and to allow for future strategic or expansionary capital expenditures.

CAPITAL RESOURCES

The Fund's credit facility includes term debt of CAD $20.0 million and USD $18.5 million, and operating facilities of CAD $15.0 million (increasing to CAD $18.0 million for the period May 31 to September 30 each year) and USD $1.0 million. Both the term and operating facilities bear interest at rates based on performance calculations. For the year ended December 31, 2006, the Fund's effective interest rate on its term debt was 5.8% (2005 – 4.8%), and after consideration of the effect of the Fund's interest rate swap (see "Financial Instruments") was 4.7% (2005 – 4.5%). The term loans mature August 31, 2007 and are extendible annually at the lender's option. At December 31, 2006 and 2005 the Fund had not drawn on its operating facilities. Under the terms of the credit facility agreement, if the bank elects to not extend the operating loan and term loan facilities beyond the current August 31, 2007 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing November 30, 2008. In addition, under the terms of the credit agreement, the operating and term loan facilities will bear interest at prime plus 0.0%, 0.50%, or 1.00% per annum based on performance calculations. The Fund is party to an interest rate swap agreement to mitigate the impact of fluctuating interest rates on its term loan.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has no off-balance sheet arrangements with the exception of the foreign currency contracts and the interest rate swaps (see "Financial Instruments").

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. The Fund believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, and goodwill. Due to the nature of Ag Growth's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of accounts receivable. In addition, assessments and judgments are inherent in the determination of the net realizable value of inventories and the fair value of goodwill and intangible assets. Goodwill and indefinite life intangible assets are tested for impairment at least annually. In the normal course of its operations, the Fund may become involved in various legal actions. The Fund maintains, and regularly updates on a case-by-case basis, provisions when the expected loss is both likely and can be reasonably estimated. While management has applied

judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

FINANCIAL INSTRUMENTS

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. Dollar. The Fund has entered into foreign exchange contracts with a Canadian chartered bank to hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and the collection of the related accounts receivable. At December 31, 2006, the Fund had outstanding the following foreign exchange and option contracts:

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD**	**Average Rate CDN**	**Unrealized Gain (Loss) CDN**
March – December 2007	$8,625,000	$ 1.1943	$308,917

Currency Options				
Settlement Dates	**Face Amount USD**	**Call Rate CND**	**Put Rate CDN**	**Unrealized Gain (Loss) CDN**
March – December 2007	$4,625,000	$1.1363	$1.2985	$44,449
March – December 2007	4,625,000	$1.1300	$1.1975	(102,992)
March – December 2007	9,250,000	$1.1363	$1.2410	(48,385)
January – December 2008	7,800,000	$1.0700	$1.2115	(478,667)
Total	$26,300,000			$(585,595)

As at December 31, 2006, the Fund has recorded a deferred foreign exchange gain of $20,116 with respect to its hedged accounts receivable.

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Fund has entered into a number of interest rate swap transactions with a Canadian chartered bank:

(i) Notional amount of CAD $20.0 million, expires May 4, 2008, effective interest rate of 3.68%, resulting in interest charges to the Fund of 3.68% plus a variable rate based on performance calculations.

(ii) Notional amount of USD $11.0 million, expires August 31, 2007, effective interest rate of 5.43%, resulting in interest charges to the Fund of 5.43% plus a variable rate based on performance calculations.

(iii) Notional amount of USD $7.5 million, expires August 31, 2007, effective interest rate of 5.43%, resulting in interest charges to the Fund of 5.43% plus a variable rate based on performance calculations.

At December 31, 2006, the fair value of the interest rate swap contract (i) was $141,398 and this amount has been recorded in prepaid expenses and other assets. Interest rate swap transactions (ii) and (iii) above were entered effective January 24, 2007.

CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants has issued three new accounting standards; Hedges, Financial Instruments—Recognition and Measurement, and Comprehensive Income. These standards are effective for the Fund beginning in fiscal 2007 and management is currently assessing the impact these changes will have on its financial statements for the period ending March 31, 2007. Management does not believe the impact of the changes will be material.

The new standard for Hedges specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed for each of the permitted hedging strategies. For cash flow hedges where the Fund is hedging the variability in cash flows related to anticipated sales to customers in the U.S. and the collection of the related accounts receivable, the effective portion of the changes in the fair values of the derivative instruments will be recorded through other comprehensive income until the hedged items are recognized in the Consolidated Statement of Operations.

The Financial Instruments—Recognition and Measurement standard will require financial assets to be classified as available for sale, held to maturity, trading or loans and receivables.

The Comprehensive Income standard will require a new component of unitholders' equity on the Consolidated Balance Sheet. The major component will be the changes in the fair value of the effective portion of cash flow hedging instruments.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below are not the only risks and uncertainties we face. We believe that the risks mentioned are the principal risks relating to our operations. The Fund's Annual Information Form contains a thorough description of these and other risks that relate to the structure of the Fund. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may impair operations. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for distribution could suffer.

Industry Cyclicality

The performance of the agricultural industry is cyclical, and to the extent that the agricultural sector declines or experiences a downturn, this is likely to have a negative impact on the farm equipment and commercial grain handling industry, and the business of Ag Growth.

Seasonality of Business

The seasonality of the demand for Ag Growth's products results in lower cash flow in the first three quarters of each calendar year and may impact the ability of the Fund to make cash distributions to Unitholders, or the quantum of such distributions, if any. No assurance can be given that the Fund's credit facility will be sufficient to offset the seasonal variations in Ag Growth's cash flow.

Risk of Decreased Crop Yields

Decreased crop yields due to poor weather conditions and other factors are a significant risk affecting Ag Growth. Both reduced crop volumes and the accompanying decline in farm incomes can negatively affect demand for grain handling equipment.

Potential Volatility of Production Costs

Various materials and components are purchased in connection with Ag Growth's manufacturing process, some or all of which may be subject to wide price variation. Consistent with past and current practices within the industry, Ag Growth manages its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and passing through to customers, most, if not all, of the price volatility. There can be no assurance that industry dynamics will allow Ag Growth to continue to reduce its exposure to volatility of production costs by passing through price increases to its customers.

Commodity Prices, International Trade and Political Uncertainty

Prices of commodities are influenced by a variety of unpredictable factors that are beyond the control of Ag Growth, including weather, government (Canadian, U.S. and other) farm programs and policies, and changes in global demand or other economic factors. The world grain market is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

Competition

Ag Growth experiences competition in the markets in which it operates. Certain of Ag Growth's competitors may have greater financial and capital resources than Ag Growth. Ag Growth could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus (or increase their existing focus) on Ag Growth's primary markets. As the grain handling equipment sector is fragmented, there is also a risk that a larger, formidable competitor may be created through a combination of one or more smaller competitors. Ag Growth may also face potential competition from the emergence of new products or technology.

Business Interruption

The operation of the manufacturing facilities of Ag Growth are subject to a number of business interruption risks, including delays in obtaining production materials, plant shutdowns, labour disruptions and weather conditions/natural disasters. Ag Growth may suffer damages associated with such events that it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. For instance, Ag Growth's Rosenort facility is located in an area that was affected by widespread floods experienced in Manitoba in 1997, and insurance coverage for this type of business interruption is limited. Ag Growth is not able to predict the occurrence of business interruptions.

Litigation

In the ordinary course of its business, Ag Growth may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Farming is an inherently dangerous occupation. Grain handling equipment used on farms may result in product liability claims that require not only proper insuring of risk, but management of the legal process as well.

Dependence on Key Personnel

Ag Growth's future business, financial condition, and operating results depend on the continued contributions of certain of Ag Growth's executive officers and other key management and personnel, certain of whom would be difficult to replace.

Distribution, Sales Representative and Supply Contracts

Ag Growth typically does not enter into written agreements with its dealers, distributors or suppliers. As a result, such parties may, without notice or penalty, terminate their relationship with Ag Growth at any time. In addition, even if such parties should decide to continue their relationship with Ag Growth, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis.

Foreign Exchange Risk

Ag Growth generates a majority of its sales in U.S. dollars, but a materially smaller proportion of its expenses are denominated in U.S. dollars. As a result, a significant strengthening of the Canadian dollar against the U.S. dollar will negatively impact the return from U.S. dollar sales revenue. To mitigate the effects of exchange rate fluctuation, management has implemented a hedging strategy of purchasing foreign exchange contracts. Ag Growth has entered into a series of hedging arrangements to mitigate the potential effect of fluctuating exchange rates through December 2008. To the extent that Ag Growth does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on Ag Growth's results of operations, business, prospects and financial condition.

Interest Rates

The Fund's term and operating credit facilities bear interest at rates that are in part dependant on performance based financial ratios. The Fund's cost of borrowing may be impacted to the extent that the ratio calculation results in an increase in the performance based component of the interest rate. The Fund is party to a number of interest rate swap arrangements to mitigate the impact of fluctuating market interest rates. These swap arrangements mature on August 31, 2007 and May 4, 2008. In the event the Fund enters new interest rate swap arrangements, the rate of the new contracts will be a function of prevailing market rates.

Uninsured and Underinsured Losses

Ag Growth will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim.

Taxation of Income Trusts

There can be no assurance that Canadian federal income tax laws or the judicial interpretation thereof or the administrative and/or assessing practices of the Canada Revenue Agency and/or the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of Trust Units.

On October 31, 2006, the federal government announced a proposal to disallow as a tax deduction the distributions made by most income trusts. If the proposal is implemented, taxable income generated by most income trusts will be subject to tax at a special rate based on the federal-provincial corporate tax rates. Unitholders will be taxed on such distributions as if they have received a taxable dividend paid by a taxable Canadian corporation. There will be a transitional period so that existing income trusts and their investors will not be subject to the proposed tax until 2011. The proposals also specified that "undue growth" may result in immediate taxation of income trusts that would otherwise not be subject to taxation until 2011. The government has stated that the maximum growth permissible is 100% of an entity's market capitalization determined as at the close of trading on October 31, 2006, and that the growth limit will be phased in annually from 2007 – 2010. The proposed legislation is still in draft form and subject to continuing debate. The implementation of the legislation could have an adverse effect on the Fund, its ability to pay distributions and the market value of its units.

OUTLOOK

Demand in the first half of 2007, excluding Edwards, is expected to be strong due to positive market sentiment in the U.S. corn-belt and an increase in on-farm storage. Management expects that demand at the Edwards division in the first half of 2007 will continue to be adversely impacted by the unfavourable weather conditions experienced in 2006. The implementation of the capacity improvement initiative, scheduled for the first quarter of 2007, will result in a brief plant slowdown at the Westfield division and may result in the deferral of some sales until later in the year. The order backlog at Hansen is higher than in previous years, in part due to the expansion of the ethanol industry. As Hansen was acquired effective December 31, 2006, the inclusion of Hansen's results will impact the comparability of results to the prior year. Taxable income generated at Hansen Manufacturing in 2007 is subject to U.S. and state taxes and accordingly will impact the Fund's tax provision. Consistent with prior years, demand in 2007, particularly in the second half, will be influenced by crop conditions, crop mix, and storage practices.

The value of the Canadian dollar relative to its U.S. counterpart will continue to impact the financial results of the Fund. The Fund's foreign currency hedging instruments in place for fiscal 2007 are at rates less favourable than the 2006 contracts, and as result management does not expect the gain on its hedging instruments in 2007 will be as large as the gain realized in 2006. The acquisition of Hansen Manufacturing, based in Sioux Falls, South Dakota, will increase the Fund's exposure to foreign exchange.

On October 31, 2006, the federal government announced a proposal to disallow as a tax deduction the distributions made by most income trusts. If the proposal is implemented, taxable income generated by most income trusts will be subject to tax at a special rate based on the federal-provincial corporate tax rates. Unitholders will be taxed on such distributions as if they have received a taxable dividend paid by a taxable Canadian corporation. There will be a transitional period so that existing income trusts and their investors will not be subject to the proposed tax until 2011 (see "Risk Factors").

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Fund's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the end of the year covered by this MD&A, management of the Fund, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Fund's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded

that, as of the end of the year covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Fund's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109-*Certification of Disclosure in Issuers' Annual and interim Filings*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Fund, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Management of the Fund is responsible for designing internal controls over financial reporting for the Fund as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

There have been no changes in the Fund's internal controls over financial reporting that occurred during the fourth quarter of 2006, the most recent interim period, that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting.

On December 31, 2006, the Fund acquired substantially all of the assets of Hansen Manufacturing Corp. Due to the short period of time between the acquisition date and the certification date of March 15, 2007, management was unable to complete its review of internal controls over financial reporting for the newly acquired division. At year-end, the related disclosure risks were mitigated as all assets and liabilities acquired were evaluated and recorded in the Fund's consolidated financial statements as part of the purchase price allocation. The acquisition was effective at the close of business on December 31, 2006 and as a result the Fund's operating results do not include results of Hansen's operations.

ADDITIONAL INFORMATION

Additional information relating to the Fund, including all public filings, is available on SEDAR (www.sedar.com).

INVESTOR RELATIONS

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AUDITORS' REPORT

To the Unitholders of Ag Growth Income Fund

We have audited the consolidated balance sheets of **Ag Growth Income Fund** as at December 31, 2006 and 2005 and the consolidated statements of earnings, unitholders' equity and cash flows for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years ended December 31, 2006 and 2005 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,

March 1, 2007

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at December 31

	2006 $	2005 $
ASSETS [notes 8 and 9]		
Current		
Cash and cash equivalents	**8,706,130**	8,148,634
Cash held in trust [note 3]	**582,638**	—
Accounts receivable	**10,882,840**	7,437,285
Inventory [note 4]	**22,641,383**	20,113,333
Prepaid expenses and other assets	**1,185,200**	1,271,523
Future tax assets [note 11]	**182,200**	221,000
Total current assets	**44,180,391**	37,191,775
Property, plant and equipment [note 5]	**14,226,481**	11,913,442
Goodwill	**42,262,026**	35,970,059
Intangible assets [note 6]	**69,245,641**	58,923,988
Deferred financing costs [note 7]	**318,012**	149,188
Future tax assets [note 11]	**—**	191,000
Deferred foreign exchange loss	**—**	13,360
	170,232,551	144,352,812
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**7,236,269**	4,962,948
Customer deposits	**5,661,420**	3,103,402
Income taxes payable	**523,855**	553,074
Distributions payable	**1,571,500**	3,980,510
Long-term incentive plan [note 13]	**854,000**	933,001
Deferred foreign exchange gain	**20,116**	—
Acquisition, transaction and financing costs payable	**1,825,121**	—
Current portion of long-term debt [note 9]	**15,334**	23,502
Total current liabilities	**17,707,615**	13,556,437
Long-term debt [note 9]	**41,560,311**	20,017,591
Total liabilities	**59,267,926**	33,574,028
Commitments [notes 14 and 16]		
Unitholders' equity	**110,964,625**	110,778,784
	170,232,551	144,352,812

See accompanying notes

On behalf of the Board of Trustees:

Bill Lambert
Trustee

John R. Brodie, FCA
Trustee

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31

	2006 $	2005 $
Sales	**81,525,437**	84,033,945
Cost of goods sold	**46,207,537**	45,132,586
Gross margin	**35,317,900**	38,901,359
Expenses		
Selling, general and administration	**12,587,274**	13,235,750
Professional fees	**461,026**	530,532
Long-term incentive plan	**854,000**	933,001
Research and development	**1,160,200**	622,695
Capital taxes	**297,189**	328,716
Gain on foreign exchange	**(3,973,443)**	(1,355,991)
Other income	**(243,099)**	(436,638)
	11,143,147	13,858,065
Earnings before the following	**24,174,753**	25,043,294
Interest expense		
Short-term debt	**99,845**	121,364
Long-term debt	**917,671**	913,789
	1,017,516	1,035,153
Earnings before amortization and income taxes	**23,157,237**	24,008,141
Amortization of property, plant and equipment	**2,109,643**	1,928,907
Amortization of deferred financing costs	**149,188**	439,371
Amortization of intangible assets	**1,576,060**	1,672,670
	3,834,891	4,040,948
Earnings before provision for income taxes	**19,322,346**	19,967,193
Provision for income taxes [note 11]		
Current	**48,705**	79,123
Future	**229,800**	236,000
	278,505	315,123
Net earnings for the year	**19,043,841**	19,652,070
Basic and diluted net earnings per unit	**$1.70**	$1.82
Basic and diluted weighted average number of units outstanding *[note 10]*	**11,225,000**	10,801,123

See accompanying notes

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

Year ended December 31, 2006

	Unitholders' capital $	Accumulated earnings $	Accumulated distributions $	Total $
	[note 10]			
Balance, beginning of year	**110,430,194**	**28,375,479**	**(28,026,889)**	**110,778,784**
Net earnings for the year	**—**	**19,043,841**	**—**	**19,043,841**
Distributions declared *[note 12]*	**—**	**—**	**(18,858,000)**	**(18,858,000)**
Balance, end of year	**110,430,194**	**47,419,320**	**(46,884,889)**	**110,964,625**

Year ended December 31, 2005

	Unitholders' capital $	Accumulated earnings $	Accumulated distributions $	Total $
	[note 10]			
Balance, beginning of year	89,954,248	8,723,409	(9,109,017)	89,568,640
Issuance of units *[note 3]*	21,532,500	—	—	21,532,500
Issuance costs *[note 3]*	(1,056,554)	—	—	(1,056,554)
Net earnings for the year	—	19,652,070	—	19,652,070
Distributions declared *[note 12]*	—	—	(18,917,872)	(18,917,872)
Balance, end of year	110,430,194	28,375,479	(28,026,889)	110,778,784

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31

	2006 $	2005 $
OPERATING ACTIVITIES		
Net earnings for the year	**19,043,841**	19,652,070
Add charges (deduct credits) to operations		
not requiring a current cash payment		
Amortization	**3,834,891**	4,040,948
Future income taxes	**229,800**	236,000
Deferred foreign exchange gain	**33,476**	34,540
Loss (gain) on sale of property, plant and equipment	**(37,546)**	12,120
	23,104,462	23,975,678
Net change in non-cash working capital		
balances related to operations *[note 17]*	**2,132,240**	(2,698,483)
Cash provided by operating activities	**25,236,702**	21,277,195
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(2,767,084)**	(1,300,295)
Acquisition of assets of Hansen Manufacturing Corp. *[note 3]*	**(21,655,971)**	—
Acquisition of assets of the Edwards Group of Companies *[note 3]*	**—**	(21,685,743)
Proceeds from sale of property, plant and equipment	**58,945**	61,000
Pre-existing Fund structure tax credits received	**—**	240,000
Cash used in investing activities	**(24,364,110)**	(22,685,038)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(23,498)**	(60,995)
Distributions paid	**(21,267,010)**	(17,726,403)
Issuance of units, net of expenses	**—**	20,475,946
Issuance of long-term debt	**21,558,050**	—
Increase in deferred financing costs on long-term debt	**—**	(134,000)
Transfer to cash held in trust	**(582,638)**	—
Cash provided by (used in) financing activities	**(315,096)**	2,554,548
Net increase in cash and cash equivalents during the year	**557,496**	1,146,705
Cash and cash equivalents, beginning of year	**8,148,634**	7,001,929
Cash and cash equivalents, end of year	**8,706,130**	8,148,634
Supplemental cash flow information		
Interest paid	**1,028,367**	1,032,655
Income taxes paid (recovered)	**49,600**	(339,970)

See accompanying notes

Year ended December 31, 2006

1. DESCRIPTION OF BUSINESS

Ag Growth Income Fund [the "Fund"] is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust made as at March 24, 2004. The Fund and its wholly-owned subsidiaries conduct business in the grain handling, storage, and conditioning market. Each unitholder participates pro rata in distributions of net earnings and, in the event of termination, participates pro rata in the net assets remaining after satisfaction of all liabilities. Income tax obligations related to the distribution of net earnings by the Fund are the obligations of the unitholders.

On October 31, 2006, the Federal Government of Canada announced proposed changes to the taxation of income trusts and other flow through entities. If enacted, the legislation would cause the Fund to be taxed on certain distributions at a special rate. The Fund is currently evaluating the impacts of the proposed legislation. If enacted as proposed, certain of the Fund's distributions will be subject to tax beginning in 2011.

The anticipated accounting impact of the proposed taxation changes, when substantively enacted, would be to trigger the recognition of the future income tax assets and liabilities with a corresponding impact on future tax expense. The amount would be based on temporary differences expected to reverse after the date that the taxation changes take effect and would be measured using income tax rates substantively enacted at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are summarized below:

Principles of Consolidation

The consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiaries Ag Growth Operating Trust, AGX Holdings Inc., AGX Holdings Limited Partnership ["AGHLP"], Ag Growth Industries Limited Partnership, Ag Growth Industries Inc. ["Ag Growth"], Westfield Distributing Ltd., Westfield Distributing (North Dakota) Inc. and Hansen Manufacturing Corp. All material intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid money market funds with maturities of less than three months.

Inventory

Inventory is comprised of raw materials and finished goods. Raw materials are recorded at the lower of cost and replacement cost. Finished goods are recorded at the lower of cost, which includes direct costs and an allocation of direct manufacturing overhead, and net realizable value. Cost is determined on a first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of amortization. Amortization is provided over the estimated useful lives of the assets using the following rates and methods:

Buildings	4% – 5%	declining balance
Furniture and fixtures	20%	declining balance
Automotive equipment	30%	declining balance
Computer equipment	30%	declining balance
Manufacturing equipment	30%	declining balance

Leasehold improvements are amortized over the term of the lease.

Goodwill

Goodwill represents the amounts paid to acquire Ag Growth, the Edwards Group *[note 3]* and Hansen *[note 3]* in excess of the estimated fair value of the net identifiable assets acquired. Goodwill is not subject to amortization. Goodwill is tested for impairment at least annually by comparing the estimated fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to estimated fair value if the carrying value of the reporting unit's goodwill exceeds its estimated fair value.

Intangible Assets

Intangible assets are comprised of brand names, which are considered to have an indefinite life, distribution networks, which are being amortized over 10 and 25 years on a straight-line basis, and patents acquired from Hansen, which will be amortized over their remaining lives. Indefinite life intangible assets are tested for impairment at least annually by comparing their estimated fair values to their carrying values. The carrying value of an indefinite life intangible asset is written down to its estimated fair value if its carrying value exceeds its estimated fair value.

Impairment of Property, Plant and Equipment and Finite Life Intangible Assets

Impairment of property, plant and equipment and finite life intangible assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the estimated fair value of the asset from its carrying value.

Deferred Financing Costs

Deferred financing costs are amortized on a straight-line basis over thirty-two months.

Income Taxes

The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. Taxes payable on income of the Fund distributed to unitholders are the responsibility of individual unitholders.

The Fund's corporate subsidiaries use the liability method of accounting for income taxes. Under this method, assets or liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income taxes are measured using the substantively enacted tax rates expected to be in effect in the years in which those temporary differences are expected to reverse. Future income tax benefits are recognized when realization is considered more likely than not to be realized.

On October 31, 2006, the Federal Government of Canada announced proposed changes to the taxation of income trusts and other flow through entities. If enacted, the legislation would cause the Fund to be taxed on certain distributions at a special rate. The Fund is currently evaluating the impacts of the proposed legislation. If enacted as proposed, certain of the Fund's distributions will be subject to tax beginning in 2011.

Foreign Currency Translation

The Fund follows the temporal method of accounting for the translation of its integrated foreign subsidiary and foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at their historical exchange rates. Revenue and expenses denominated in foreign currencies are translated to Canadian dollars at the monthly rate of exchange. Gains and losses on translation are reflected in net earnings for the period.

Revenue Recognition

The Fund recognizes revenue at the time product is shipped, free on board shipping point, and title passes and there is evidence a sales arrangement exists, the sales price is fixed and determinable and collectibility is reasonably assured. For products on consignment, revenue is recognized upon the sale of the product by the consignee. Provision is made at the time revenue is recognized for estimated product returns and warranties based on historical experience. Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time product is shipped as noted above.

Research and Development

Research expenses are charged to earnings in the period they are incurred. Development expenses are charged to earnings unless management believes the costs meet generally accepted criteria for deferral and amortization.

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the property to the Fund are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred.

Net Earnings per Unit

Net earnings per unit is based on the consolidated net earnings for the period divided by the weighted average number of units outstanding during the period. Diluted earnings per unit is computed in accordance with the treasury stock method and based on the weighted average number of units and dilutive unit equivalents.

Long-term Incentive Plan

Under the terms of the long-term incentive plan ["LTIP"], the Fund establishes an amount to be allocated to eligible participants based on 10% to 20% of cash distributions in excess of an established threshold. The cost is accrued as an expense in the period when it is determined an amount payable under the LTIP appears likely. The cash award is paid directly to eligible participants by the Fund.

Derivative Financial Instruments

Derivative financial instruments are utilized by the Fund to assist in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking foreign exchange contracts to specific anticipated sales transactions. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Fund purchases foreign exchange contracts to hedge anticipated sales to customers in the U.S. and the collection of the related accounts receivable. Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated U.S. dollar denominated sales are recognized in foreign exchange gain/loss when the sale is recorded. For foreign exchange contracts used to hedge anticipated U.S. dollar denominated sales and the collection of the related accounts receivable, the portion of the forward premium or discount on the contract relating to the period prior to consummation of the sale is also recognized as an adjustment of the revenues when the sale is recorded; and the portion of the premium or discount that relates to the resulting account receivable is amortized over the expected period to collection of the accounts receivable.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current or non-current, assets or liabilities on the consolidated balance sheet and recognized in earnings in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in earnings.

The Fund uses foreign currency swap agreements to manage its cash positions. The Fund's foreign currency swap agreement does not qualify for hedge accounting. The Fund also enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. During the year ended December 31, 2005, the terms of the interest rate swap were changed and it no longer qualifies for hedge accounting. These swaps are measured at their fair value and included in prepaid expenses and other assets on the consolidated balance sheet. Changes in the fair value of the foreign currency swaps and interest rate swaps are recognized in earnings and are included in loss (gain) on foreign exchange and other income, respectively.

Employee Benefit Plans

The Fund contributes to a group retirement savings plan subject to maximum limits per employee. The Fund accounts for such defined contributions as an expense in the period in which the contributions are made. The expense recorded in 2006 was $419,444 [2005 – $346,730].

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the consolidated balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. ISSUANCE OF FUND UNITS AND ACQUISITIONS

[a] Acquisition of Hansen Manufacturing Corp.

Effective December 31, 2006, the Fund acquired substantially all of the assets of Hansen Manufacturing Corp. ["Hansen"], a manufacturer of enclosed belt conveyors, for cash consideration of $23,163,080. In conjunction with the acquisition, the Fund incurred an additional term loan of U.S. $18,500,000 and incurred transaction costs of $576,170.

The acquisition has been accounted for by the purchase method with the results of Hansen's operations included in the Fund's earnings from the date of acquisition [the consolidated statement of earnings does not include results of Hansen's operations for the year ended December 31, 2006 as the acquisition was effective at the close of business on December 31, 2006]. The assets and liabilities of Hansen were initially recorded in the consolidated financial statements at their estimated fair values, as noted in the following chart.

	$
Net assets acquired	
Accounts receivable	3,168,215
Inventory	2,022,200
Prepaid expenses and other assets	111,888
Property, plant and equipment	1,497,411
Intangible assets	
Brand name	4,071,558
Distribution network	6,786,707
Patent	1,039,448
Goodwill	6,291,967
Accounts payable and accrued liabilities	(1,826,314)
	23,163,080
Consideration	
Cash	21,655,971
Acquisition and transaction costs payable	1,507,109
	23,163,080

As at December 31, 2006, the Fund had cash held in trust in the amount of $582,638 relating to the acquisition of Hansen.

The asset purchase agreement provides for adjustments to the purchase price for working capital adjustments to be finalized between the vendor and the Fund, thus the purchase price allocation is subject to change.

[b] Acquisition of the Edwards Group of Companies

Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies ["the Edwards Group"], a manufacturer of agricultural aeration equipment, for cash consideration in the amount of $21,685,743. In conjunction with the acquisition, the Fund completed a private placement of 1,595,000 Trust Units priced at $13.50 per unit for gross proceeds of $21,532,500. The Fund has recorded expenses in connection with the offering, including commissions payable to the underwriters, of $1,056,554.

The acquisition has been accounted for by the purchase method with the results of the Edwards Group's operations included in the Fund's earnings from the date of acquisition [the consolidated statement of earnings includes the results of the Edward Group's operations for the 268-day period from April 8, 2005 to December 31, 2005]. The assets and liabilities of the Edwards Group were initially recorded in the consolidated financial statements at their estimated fair values, as noted in the following chart.

	$
Net assets acquired	
Accounts receivable	**1,348,830**
Inventory	**3,672,603**
Prepaid expenses and other assets	**174,246**
Property, plant and equipment	**6,992,000**
Intangible assets	
Brand name	**4,363,000**
Distribution network	**2,839,000**
Patent	**250,000**
Goodwill	**3,406,168**
Accounts payable and accrued liabilities	**(1,360,104)**
	21,685,743

4. INVENTORY

	2006 $	2005 $
Raw materials	**7,823,469**	6,019,628
Finished goods	**14,817,914**	14,093,705
	22,641,383	20,113,333

5. PROPERTY, PLANT AND EQUIPMENT

	2006			2005		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Land	**861,315**	**—**	**861,315**	861,315	—	861,315
Buildings	**5,408,773**	**521,148**	**4,887,625**	5,177,931	287,744	4,890,187
Leasehold improvements	**16,167**	**1,855**	**14,312**	7,000	7,000	—
Furniture and fixtures	**187,575**	**49,231**	**138,344**	121,047	26,282	94,765
Automotive equipment	**1,921,817**	**807,165**	**1,114,652**	1,438,283	480,185	958,098
Computer equipment	**793,973**	**300,909**	**493,064**	565,714	159,442	406,272
Manufacturing equipment	**9,512,456**	**2,795,287**	**6,717,169**	6,127,774	1,424,969	4,702,805
	18,702,076	**4,475,595**	**14,226,481**	14,299,064	2,385,622	11,913,442

Included in the cost above is approximately $1,882,000 [2005 – $Nil] of manufacturing equipment which has not been amortized as this asset was not placed in use as of year end.

6. INTANGIBLE ASSETS

	2006			2005		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Distribution network	**44,625,707**	**3,854,072**	**40,771,635**	37,839,000	2,340,512	35,498,488
Brand name	**27,434,558**	**—**	**27,434,558**	23,363,000	—	23,363,000
Patent	**1,289,448**	**250,000**	**1,039,448**	250,000	187,500	62,500
	73,349,713	**4,104,072**	**69,245,641**	61,452,000	2,528,012	58,923,988

7. DEFERRED FINANCING COSTS

	2006			2005		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
	1,113,023	**795,011**	**318,012**	795,011	645,823	149,188

During the year, the Fund incurred $318,012 of deferred financing costs relating to the acquisition of Hansen.

8. BANK INDEBTEDNESS

The Fund has an operating facility of $15 million, increasing to $18 million for the period May 31 to September 30. The facility bears interest at a rate of prime to prime plus 1.0% per annum based on performance calculations. The effective interest rate during the year was 5.76% [2005 – 4.81%]. At December 31, 2006 and 2005, there was no amount outstanding under this facility. Collateral for the operating facility includes a general security agreement over all assets, first position collateral mortgages on land and buildings, and assignments of rents and leases and security agreements for patents and trademarks.

In conjunction with the acquisition of Hansen, the Fund added an operating facility of U.S. $1.0 million. The facility bears interest at a rate of prime to prime plus 1% per annum based on performance calculations. The Hansen acquisition was effective at the close of business on December 31, 2006 and accordingly this facility was not utilized in 2006.

9. LONG-TERM DEBT

	2006 $	2005 $
Term loan, interest payable monthly at prime to prime plus 1% per annum based on performance calculations. As described in note 14, the Fund has entered into a swap contract that effectively fixes the Fund's interest rate at 3.68%, plus 1.0%, 1.5%, or 2.0% per annum based on performance calculations. The effective interest rate during the year ended December 31, 2006 would have been 5.76% [2005 – 4.81%] and after consideration of the effect of the interest rate swap was 4.68% [2005 – 4.48%]	**20,000,000**	20,000,000
Term loan of U.S. $18,500,000, interest payable monthly at prime to prime plus 1% per annum based on performance calculations. On January 24, 2007 the Fund entered into an interest rate swap contract that effectively fixes the Fund's interest rate at 5.43%, plus 1.0%, 1.5%, or 2.0% per annum based on performance calculations. The term loan was effective at the close of business on December 31, 2006 and as a result no interest expense was incurred in the year ended December 31, 2006	**21,558,050**	—
GMAC loans, 0% maturing in 2007 and 2008, with monthly payments of $1,958. Vehicles financed are pledged as collateral	**17,595**	41,093
	41,575,645	20,041,093
Less current portion	**15,334**	23,502
	41,560,311	20,017,591

Under the agreement for the term loans, the Fund is required to maintain certain financial covenants. As at December 31, 2006 and 2005, the Fund was in compliance with the applicable financial covenant terms. Collateral for the term loans and operating facility [note 8] includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The term loans mature August 31, 2007 and are extendible annually for an additional one-year term at the lender's option. Under the terms of the credit facility agreement, if the bank elects to not extend the operating loan and term loan facilities beyond the current August 31, 2007 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing on November 30, 2008.

Principal repayments due within the next three fiscal years, if the term loans are not renewed and are repayable commencing November 30, 2008, are as follows:

	$
2007	15,334
2008	10,391,773
2009	31,168,538
	41,575,645

10. UNITHOLDERS' CAPITAL

Unitholders' capital is comprised of the following:

	Fund Trust units $	Class B Exchangeable units of AGHLP $	Class C Exchangeable units of AGHLP $	Total Unitholders' capital $
Balance, December 31, 2004	68,883,378	1,810,870	19,260,000	89,954,248
Issuance of units, net of costs	20,475,946	—	—	20,475,946
Exchange of units	111,090	(111,090)	—	—
Balance, December 31, 2005	**89,470,414**	**1,699,780**	**19,260,000**	**110,430,194**
Exchange of units	**19,598,930**	**(338,930)**	**(19,260,000)**	**—**
Balance, December 31, 2006	**109,069,344**	**1,360,850**	**—**	**110,430,194**

	Fund Trust units #	Class B Exchangeable units of AGHLP #	Class C Exchangeable units of AGHLP #
Balance, December 31, 2004	7,522,913	181,087	1,926,000
Issuance of units *[note 3]*	1,595,000	—	—
Exchange of units	11,109	(11,109)	—
Balance, December 31, 2005	**9,129,022**	**169,978**	**1,926,000**
Exchange of units	**1,959,893**	**(33,893)**	**(1,926,000)**
Balance, December 31, 2006	**11,088,915**	**136,085**	**—**

The Fund Declaration of Trust provides that an unlimited number of trust units may be issued. Each trust unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each trust unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to future calls or assessments, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of unitholders.

The Fund Declaration of Trust also provides for the issuance of an unlimited number of Special Voting Units. The Special Voting Units are only issuable for the purpose of providing voting rights to the holders of Exchangeable LP Units or Subordinated LP Units. Each unit is entitled to one vote on matters related to the Fund. The Special Voting Units are not entitled to any interest or share in the Fund or in any distribution from the Fund. There is no value attached to these units. At December 31, 2006, there were 136,085 Special Voting Units outstanding [December 31, 2005 – 2,095,978 units], which were attached to the outstanding Class B Exchangeable LP Units of AGHLP and the Class C Exchangeable Subordinated LP Units of AGHLP.

AGHLP exchanged all Class C units to Class B units on a one-for-one basis upon the occurrence of the subordination end date in 2006. The Class B units are exchangeable for Fund Trust units at the option of the holder on a one-for-one basis at any time.

11. INCOME TAXES

Income tax obligations relating to distributions from the Fund are the obligations of the unitholders and accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for the corporate subsidiaries of the Fund, which are subject to tax, including large corporation tax.

The provision for income taxes varies from the amount that would be expected if computed by applying the Canadian federal and provincial statutory income tax rates to the earnings before income taxes as shown in the following table:

	2006		2005	
	$	%	$	%
Earnings before income taxes	**19,322,346**		19,967,193	
Temporary differences and non-tax deductible expenses	**260,372**		(446,488)	
Earnings subject to tax in the hands of unitholders/limited partners	**(18,858,000)**		(18,917,872)	
Income of subsidiary companies subject to tax	**724,718**		602,833	
Provision for income taxes	**278,505**	**38**	236,000	39
Large corporation tax	—	—	79,123	13
Income tax provision	**278,505**	**38**	315,123	52

Significant components of the Fund's future tax assets are shown below:

	2006 $	2005 $
Future tax assets		
Financing costs	**31,200**	116,500
Non-capital losses	**151,000**	295,500
	182,200	412,000

12. DISTRIBUTIONS TO UNITHOLDERS

For the year ended December 31, 2006, the Fund made distributions of $18,858,000 which equated to $1.68 weighted average per unit [2005 – $18,917,872 or $1.75 weighted average per unit].

13. LONG TERM INCENTIVE PLAN

Key senior management of the Fund are eligible to participate in the Fund's LTIP. The purpose of the LTIP is to provide eligible participants with compensation opportunities that encourage ownership of units of the Fund, enhance the Fund's ability to attract, retain and motivate key personnel and reward key senior management for significant performance and associated growth in distributions. Pursuant to the LTIP, the Fund establishes the amount to be allocated to eligible participants based upon the amount by which the Fund's distributions exceed cash distribution thresholds [as defined in the LTIP documents]. The LTIP is administered by the Corporate Governance and Compensation Committee.

The Board of Trustees of the Fund or the Corporate Governance and Compensation Committee has the power to, among other things, determine those individuals who participate in the LTIP and determine the level of participation of each participant.

The Fund has a recorded liability with respect to the LTIP at December 31, 2006 of $854,000 [2005 – $933,001].

14. FINANCIAL INSTRUMENTS

The Fund has the following financial instruments: cash and cash equivalents, cash held in trust, accounts receivable, accounts payable and accrued liabilities, customer deposits, distributions payable, long-term incentive plan, acquisition, transaction and financing costs payable, long-term debt, an interest rate swap arrangement, foreign exchange contracts and foreign currency swap agreements. It is management's opinion that the Fund is not exposed to significant credit risks arising from these financial instruments.

Currency Exposures

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollar. The Fund has entered into foreign exchange contracts to hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and the collection of the related accounts receivable.

At December 31, 2006, the Fund had outstanding forward foreign exchange contracts as follows:

Settlement dates	Face value $U.S.	Average rate $Cdn
March 2007 to December 2007	8,625,000	1.1943

At December 31, 2006, the Fund had outstanding a series of foreign exchange call and put options as follows:

Settlement dates	Face value $U.S.	Call $Cdn	Put $Cdn
March 2007 to December 2007	4,625,000	1.1363	1.2985
March 2007 to December 2007	4,625,000	1.1300	1.1975
March 2007 to December 2007	9,250,000	1.1363	1.2410
January 2008 to December 2008	7,800,000	1.0700	1.2115

Interest Rate Exposures

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Fund has entered into an interest rate swap transaction with a Canadian chartered bank.

The swap transaction expires on May 4, 2008. The swap transaction involves the exchange of the underlying floating interest rate of prime to prime plus 1.00% per annum for an effective fixed interest rate of 3.68% plus 1.00% to 2.00% per annum based on performance calculations. The notional amount of the swap transaction at December 31, 2006 and 2005 was $20,000,000.

Fair Value

At December 31, 2006, the carrying value of the Fund's financial instruments approximates their fair value with the exception of derivative financial instruments. The interest rate swap is marked to market. The unrealized loss on foreign exchange contracts was $276,679 at December 31, 2006 [2005 – unrealized gain of $3,384,312]. Upon maturity of the foreign exchange contracts, any gain/loss would be recognized in realized foreign exchange gain/loss in the consolidated statement of earnings.

15. SEGMENTED DISCLOSURE

The Fund operates in one business segment related to the manufacturing and distributing of portable grain handling and aeration equipment. Geographic information about the Fund's revenues is based on the product shipment destination. Assets are based on their physical location as at the period end:

	Revenues		Property, plant and equipment, goodwill and intangible assets as at	
	2006	2005	**2006**	2005
	$	$	**$**	$
Canada	**24,240,155**	25,369,699	**105,819,068**	106,577,247
United States	**54,483,272**	55,166,890	**19,915,080**	230,242
International	**2,802,010**	3,497,356	**—**	—
	81,525,437	84,033,945	**125,734,148**	106,807,489

16. COMMITMENTS

The Fund has entered into various operating leases for office and manufacturing equipment, warehouse facilities and vehicles. Minimum annual lease payments required in aggregate are as follows:

	$
2007	803,616
2008	656,370
2009	527,448
2010	145,424
2011 and forward	20,694
	2,153,552

As at December 31, 2006, the Fund has commitments relating to the purchase of equipment outstanding in the amount of $385,000.

17. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

	2006 $	2005 $
Accounts receivable	**(408,816)**	(1,441,926)
Inventory	**(505,850)**	(967,153)
Prepaid expenses and other assets	**329,687**	(270,328)
Accounts payable and accrued liabilities	**267,421**	(442,001)
Long-term incentive plan	**(79,001)**	667,213
Income taxes payable	**(29,219)**	477,481
Customer deposits	**2,558,018**	(721,769)
	2,132,240	(2,698,483)

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Additional information relating to the Fund, including all public filings, is available on SEDAR (www.sedar.com).